

Fact Sheet

Module 10: Education Credits

Taxpayers have two credits available to help offset the costs of higher education, by reducing their income tax. These credits are the American Opportunity Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking these credits depend on:

- the taxpayer's filing status and AGI or MAGI
- eligible education institution
- qualified tuition and related expenses

The American Opportunity and Lifetime Learning Credits are claimed on Form 8863, which can be filed with either Form 1040 or Form 1040A.

Form 8863 <small>Department of the Treasury Internal Revenue Service (99)</small>	Education Credits (American Opportunity and Lifetime Learning Credits) ▶ See separate instructions to find out if you are eligible to take the credits. ▶ Attach to Form 1040 or Form 1040A.	OMB No. 1545-0074 <div style="text-align: center; font-size: 24pt; font-weight: bold;">2011</div> Attachment Sequence No. 50				
Name(s) shown on return		Your social security number				
<div style="display: flex; align-items: center; justify-content: center;"> <p>You cannot take both an education credit and the tuition and fees deduction (see Form 8917) for the same student for the same year.</p> </div>						
Part I American Opportunity Credit Caution: You cannot take the American opportunity credit for more than 4 tax years for the same student .						
1	(a) Student's name (as shown on page 1 of your tax return) First name _____ Last name _____	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$4,000 for each student.	(d) Subtract \$2,000 from the amount in column (c). If zero or less, enter -0-.	(e) Multiply the amount in column (d) by 25% (.25)	(f) If column (d) is zero, enter the amount from column (c). Otherwise, add \$2,000 to the amount in column (e).
2 Tentative American opportunity credit. Add the amounts on line 1, column (f). If you are taking the lifetime learning credit for a different student, go to Part II; otherwise, go to Part III ▶						2
Part II Lifetime Learning Credit Caution: You cannot take the American opportunity credit and the lifetime learning credit for the same student in the same year.						
3	(a) Student's name (as shown on page 1 of your tax return) First name _____ Last name _____	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)			

Education Credits Requirements and Limits

The requirements for claiming these credits include:

- filing status and modified adjusted gross income (AGI) of the taxpayer
- whether the student and the educational institution are eligible
- what the expenses were for—only tuition and related expenses qualify
 - related expenses are course-related books and materials, supplies and equipment, and student activities

There are income limits to the American Opportunity Credit and the Lifetime Learning Credit.

American Opportunity Credit

The American Opportunity Credit allows taxpayers to claim a credit of up to \$2,500 based on qualified tuition and related expenses paid for each eligible student. To be eligible for the credit, the student must be:

- Enrolled in a program that leads to a degree, certificate or other recognized educational credential
- Taking at least one-half of the required workload for the course of study for at least one academic period beginning during the calendar year
- Enrolled in the first four years of postsecondary education
- Free of any felony conviction for possessing or distributing a controlled substance

Taxpayers whose modified AGI is \$90,000 or more (\$180,000 or more if married filing jointly) are not eligible to take the credit. For taxpayers whose modified AGI is over \$80,000 (over \$160,000 if married filing jointly), the credit is phased out (gradually reduced).

Lifetime Learning Credit

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *all* eligible students enrolled in eligible educational institutions.

The Lifetime Learning Credit is based on the total qualified education expenses paid by the taxpayer and not on the number of eligible students. Education expenses that qualify for the Lifetime Learning Credit are for courses:

- taken as part of a postsecondary degree program, or
- taken to improve or acquire job skills

Taxpayers whose modified AGI is \$60,000 or more (\$120,000 or more if married filing jointly) are not eligible to take the credit. For taxpayers whose modified AGI is over \$50,000 (over \$100,000 if married filing jointly), the credit is phased out (gradually reduced). There is no limit on the number of years the Lifetime Learning Credit can be claimed.